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Soviet Trade Figures Reflect Serious Economic Problems in the Soviet Union

While Moscow has released the full year trade figures for 1989, thus far we have only received data for the first three quarters of the year. According to these reports, the trends discernible as of October 1st were the same as those reported at year-end. As a look at the accompanying tables indicates, the deficit in the Soviet trade balance with the hard currency world reached a new peak for the last few decades. For the nine month period, it totalled approximately 3.5 billion rubles, which translates at the official rate of exchange into a trade deficit of over 4 billion dollars. By American standards, that is not very high, but by Soviet standards, it indeed suggests some very real difficulties. The Soviet Union did increase its exports, probably reflecting some increase in the price of oil, but it increased imports even more. Thus imports from Europe and Japan rose by over 1.3 billion rubles. From the United States alone, imports rose by almost a billion rubles. Most of that was grain and reflected the Soviet Union's continuing problems in agriculture. That, as we have noted earlier, is despite the fact that the Soviet Union began a program of paying Soviet peasants with convertible currency for any increase in deliveries and production. But, as we also noted earlier, Soviet bureaucrats so encumbered the program that the peasants decided it was not in their interest to participate and instead withheld their grain.

The Soviet Union's difficulties in trade were also reflected in its dealings with Eastern Europe. Again, we only have figures for the first nine months of the year, but they are very instructive. In contrast to the normal trade surplus the Soviet Union had maintained at least until 1988, the trade deficit in 1989 rose to 2.2 billion rubles. Again, this is partly a reflection of the drop in oil prices, which lag in the Soviet Union's dealings with Eastern Europe. Nonetheless, it is important to remember that in trade among the members of what has been until recently the Council of Mutual Economic Assistance (CMEA), there is no advantage in generating a trade surplus. Yet, except for Rumania, all the countries of Eastern Europe have a trade surplus in their dealings with the Soviet Union. This helps to explain why, for example, Hungary has imposed an embargo on further exports to the Soviet Union until the arrears are reduced or paid for in hard currency. That also helps to explain why some in Eastern Europe have imposed embargoes not only on government-to-government trade, but on individual tourists. In retaliation, of course, the Soviets have imposed similar restrictions on the export of a large number of food products and appliances to Eastern Europe, particularly Poland. All this indicates that the Soviet Union has to worry about whether it can pay its bills.

It was instructive that at the recent Arden House Conference, an informal survey

of businessmen in attendance indicated that a significant percentage of those present had encountered delays in payment for their goods. A minority of those present indicated that they were receiving their payments on time.

Additional Information on Foreign Trade for 1989

While the Soviets have not made complete figures for foreign trade available, they have issued a preliminary announcement which arrived just as we were going to press. There are some interesting data in this preliminary information. The general trends seem to be consistent with what we reported earlier in this newsletter; the data on exports of specific commodities, however, are particularly striking. Thus, in 1989, the Soviets reduced their exports of petroleum and petroleum products by 10%. However, because of a firming in prices, their total export earnings from the sale of petroleum and petroleum products fell by only 5%. Nonetheless, that drop did hurt. What is also significant is that the export of almost all consumer goods was curtailed sharply, for the most part by 20%. That was in response to the criticism that the Soviets were exporting goods that were desperately needed at home.

The Soviet import pattern also contained some very interesting information. Particularly noteworthy is the fact that imports of machinery continued to increase. This is surprising, given the Soviet Union's foreign trade deficit. Machinery imports rose by over one billion rubles from 1988 to 1989.

At the same time, grain imports rose by two million tons, with a cost to the Soviets that was approximately 800 million rubles higher. However, the import of fruits and vegetables declined.

Responding to pressure for more soap, Soviet imports of soap in 1989 rose to almost 230,000 tons, as compared to a mere 8,000 tons in 1988. Similarly, laundry detergent rose to 223,000 tons compared to the 1988 figure of 61,000. The Soviets say that overall, imports of consumer durables rose by 2.1 billion rubles in 1989, and imports now account for 28% of all the medical products consumed, 23% of all laundry detergent consumed, 22% of all textile products, 19% of soap, 11% of furniture, and 8% of shoes.

FOREIGN EXCHANGE RATES
as of April 4, 1990
Quoted in rubles

	Official Rate	"Special" Rate
£100 Sterling	99.05	990.50
100 Aust. Sch.	5.11	51.10
100 D. Marks	35.94	359.40
100 D. Guilders	31.91	319.10
100 U.S. Dollars	61.03	610.30
100 Fr. Francs	10.67	106.70
1,000 Jap. ¥	3.81	38.10
10,000 It. Lire	4.88	48.80
100 Swiss Frs.	40.60	406.00
100 Nor. Kroner	9.26	92.60
1,000 Bel. Frs.	17.37	173.70
100 Sw. Kronor	9.94	99.40

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BALANCE OF TRADE - 1st NINE MONTHS OF 1982 - 1989 (Million Rubles)

	EXPORTS FROM THE USSR								IMPORTS TO THE USSR							
	1982	1983	1984	1985	1986	1987	1988	1989	1982	1983	1984	1985	1986	1987	1988	1989
Austria	493	413	563	603	415	268	328	284	387	622	656	615	638	428	497	670
Belgium	774	741	902	658	444	569	587	590	421	449	380	425	337	274	289	364
Great Brit.	622	802	974	833	943	1158	1253	1647	531	495	587	563	407	394	415	679
Greece	441	343	416	408	156	176	252	215	100	128	87	104	46	32	61	88
Denmark	268	221	275	213	105	91	87	119	53	54	73	76	113	59	77	88
Spain	106	229	224	148	81	334	437	468	127	182	227	291	130	122	114	157
Italy	2209	2152	2388	1799	1110	1271	1283	1384	874	1119	983	970	1119	1250	1077	1106
Neth.	1175	1393	1243	770	425	591	488	662	282	410	188	227	181	185	194	275
Norway	59	59	78	91	41	51	50	63	56	75	60	51	55	48	61	81
Germany	2982	2498	3478	3026	2197	1780	1837	1791	2201	2685	2558	2400	2268	2037	2451	2826
France	1664	1768	1695	1554	1116	1093	1150	979	958	1353	1246	1291	860	851	789	862
Switz.	326	394	290	244	235	239	281	333	311	274	293	384	360	404	636	707
Sweden	289	491	441	392	213	301	309	383	283	191	184	240	190	171	182	267
Japan	556	579	633	695	721	690	884	940	2129	1707	1534	1849	1755	1234	1464	1498
Subtotal	11964	12083	13600	11026	8202	8612	9226	9858	8713	9744	9056	9486	8459	7489	8307	9668
Sub-Bal. of Trade									+3251	+2339	+4544	+1540	-257	+1123	+919	+190
Argentina	25	19	20	44	51	31	16	54	1133	1153	983	1114	172	374	331	516
U.S.A.	112	171	210	228	216	197	223	373	1811	1037	1734	1927	997	747	1334	2292
Canada	17	22	15	13	9	11	11	25	945	990	971	466	383	327	352	306
Australia	12	5	12	12	7	10	9	13	438	321	365	446	446	253	240	465
New Zealand	5	1	6	3	3	4	8	12	178	145	38	61	3	58	71	110
Brazil	122	85	93	48	25	43	14	16	356	429	396	300	200	190	138	185
Total	12257	12386	13956	11374	8513	8908	9507	10351	13574	13819	13543	13800	10660	9438	10773	13542
Balance of Trade									-1317	-1433	+413	-2426	-2147	-530	-1266	-3191
Finland	1735	1744	1833	1588	1153	1292	1170	1252	2021	2043	1747	1914	1677	1530	1613	1556
	13992	14130	14789	12962	9666	10200	10677	11603	15595	15862	15290	15714	12337	10968	12386	15098
									-1600	-1732	-501	-2752	-2671	-768	-1709	-3495

SOVIET BALANCE OF TRADE WITH EASTERN EUROPE FOR THE 1ST NINE MONTHS OF 1981-1989

(in million rubles)

	Exports from U.S.S.R.									Imports to U.S.S.R.								
	1981	1982	1983	1984	1985	1986	1987	1988	1989	1981	1982	1983	1984	1985	1986	1987	1988	1989
Bulgaria	3225	3546	4141	4661	4788	4842	4644	4604	4327	2751	3245	3720	4122	4425	4442	4856	4885	5103
Czecho-slovakia	3108	3728	4270	4948	5002	5116	5032	4711	4583	3060	3513	4018	4422	4806	4778	5035	5039	4890
GDR	4037	4587	4992	5385	5619	5852	5582	5173	4859	3861	4270	4879	5576	5619	5228	5173	5168	5277
Hungary	2445	2711	2951	3298	3318	3486	3398	3265	3016	2413	2710	2957	3178	3513	3600	3766	3598	3701
Poland	3667	3581	3868	4450	4804	5091	4778	4592	4301	2419	2882	3485	3843	3960	4316	4355	4936	5204
Romania	1111	1013	1199	1352	1351	2062	1819	1766	1967	1237	1323	1280	1340	1657	1859	1729	1771	1085
	17593	19166	21421	24094	24882	26449	25253	24111	23053	15741	17933	20339	22481	23980	24223	24914	25397	25260
Balance of Trade	+1852	+1283	+1082	+1613	+902	+2226	+339	-1286	-2207									